Presentation to the 2011 Health and Human Services Joint Appropriation Subcommittee

QUALITY ASSURANCE DIVISION

Operations Services Branch
Department of Public Health and Human Services

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OVERVIEW

Healthcare and childcare in Montana are a significant part of Montana's economy providing services to all Montanans, in every community. The services impact all Montanans because either they are receiving services provided by DPHHS or the people know of someone, a family member or friend that is receiving services. The Quality Assurance Division (QAD) plays an important role in these services by providing responsive independent assessment and monitoring of human services as required under federal and state law.

Our involvement addresses the public policy created by the Montana legislature and Federal Government, to assess and monitor compliance of the standards for care, and to perform required administrative functions for Medicaid, and Supplemental Nutrition Assistance Program (SNAP). The QAD activities effectively monitor compliance with State and Federal rules and regulations and provide the public an avenue to report complaints regarding care and services. These functions improve the quality of services and increase efficiencies.

SUMMARY OF MAJOR FUNCTIONS

Licensing and Certification

The Montana healthcare industry is one of the largest industries in the state with independent practices, clinics, and facilities serving all Montanans, in all of our communities, border to border. Over 40,000 Montanans receive direct services from the licensed providers regulated by QAD. The Quality Assurance Division plays a significant role in the health and well-being of these people through licensing over 1,200 health care facilities, community residential providers, and providers of mental health services. In addition, many of these licensed providers are also certified by QAD, as the State Survey Agency for the Centers for Medicaid and Medicare Services, to participate in the Medicare and Medicaid programs. These functions directly impact people in those facilities and services, as well as their families. The licensure and certification activities are conducted in accordance with State and Federal laws to ensure Montanans receive proper treatment and medical care, in a clean, comfortable environment, receive proper nutrition, and are provided security and age appropriate learning experiences in order to safeguard their overall health and well being. All facilities are subjected to unannounced inspections, and unannounced complaint investigations. Between Licensure and Certification functions, QAD investigated over 223 complaints during SFY 2010.

In addition to healthcare, QAD licenses child care facilities in Montana, in accordance with public policy established in State law. For parents who utilize child care or day care services, the activities of QAD assure safe out-of-home care for their children. The result for the children and parents is that the services are provided in a clean, safe, and comfortable environment and age appropriate care and learning opportunities are provided to the children. Montana has 1,196 licensed or registered providers in the state, serving approximately 20,000 children. Licensing activities are necessary to meet the public's expectations of appropriate care for the children. QAD completed 1,100 inspections of providers in 2010 and investigated 228 complaints.

Medicaid, TANF, and SNAP – Quality Control, Third Party Liability, Program Integrity, and Claims Investigations

Quality Control

Every Montanan receiving benefits under Medicaid, Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Healthy Montana Kids (HMK) is benefited by quality control reviews. Montana has over 100,000 people that receive benefits under Medicaid and SNAP and they rely on this Department to determine benefits accurately. Quality control reviews are performed by sampling cases to verify that eligibility determinations were accurately completed. The division's role impacts all Montanans that utilize these services, and results in more accurate eligibility determination, makes sure eligible Montanans receive benefits and that eligibility determination errors are minimized. QAD performs quality reviews in accordance with Federal requirements, to ensure Montanans are receiving benefits appropriately. QAD works together with Policy Specialists and county Offices of Public Assistance to locate and understand eligibility determination errors in order to improve the overall quality of services. In addition to reviewing cases for eligibility, staff makes home visits which allow them to view firsthand how economic times have impacted Montana families. We assist in coordinating outreach with other agency services including LIEAP, Meals on Wheels, and Home & Community Based Health Care.

FOR EXAMPLE, a Quality Control Auditor interviewed a disabled woman, who was confined to a wheel chair. The woman stated that she had not yet turned on the heat in her home as she was awaiting LIEAP approval. The Program Compliance Auditor contacted the Human Resource Council in Kalispell and found the client had turned in paperwork, but not the actual application. LIEAP then arranged for a case worker to go to the client's home to help her complete the application.

Third Party Liability (TPL)

The Division coordinates benefit functions to determine the existence of a Third Party Liability (TPL). Montana has over 100,000 people on the Medicaid program and many of those people also have insurance coverage, either under Medicare (15,000 – 16,000) or private insurance (5,000 – 5,500). Under Medicaid regulations, the Medicaid program is the payer of last resort, meaning other insurance is required to pay before Medicaid. The TPL functions encompass a wide array of services to coordinate benefits with other insurance. These activities resulted in savings to Montana in either costs avoided ($143 + million dollars), or recovery of benefits paid through cash collection ($5.5 million dollars) in SFY 2010. This activity contributes to the sustainability of the Medicaid program for the taxpayers of Montana and future benefits for the people eligible for coverage under the Medicaid program.

Program Integrity

QAD's program integrity function, the Surveillance and Utilization Review Section (SURS), performs audits and reviews of over 15,000 Medicaid providers that serve the people of Montana. Healthcare providers enroll in the Medicaid program and provide services for Medicaid eligible people. SURS performs retrospective audits of claims paid by the Medicaid program. This function of the Medicaid program contributes to recovery of Medicaid benefits paid inappropriately to Medicaid providers due to billing errors, poor documentation of services provided, or non-compliance with Administrative Rules for covered services. This function is required under federal Medicaid regulations and helps improve the services provided for Medicaid people. 534 cases were reviewed in FY 2010 and overpayments collected amounted to $808,652. SURS has recovered an average of over $725,000 dollars each year for the last three years.

Claims and Investigations

The Claims and Investigations Unit performs review and audit functions in accordance with Federal regulations that require the State to develop a plan for establishing and collecting overpayment of benefits for ineligible people, and over issuance of benefits. Overpayment claims are established at the local County Offices of Public Assistance (OPAs) and are reviewed for timeliness and accuracy by the Claims and Investigations Unit. QAD has recovered over $1 million dollars in TANF, SNAP, or Medicaid benefits over the last three years. This unit is also responsible for investigating any case of alleged Intentional Program Violations (IPVs), and ensuring that appropriate cases are acted upon either through administrative disqualification hearings or referral to a court of appropriate jurisdiction. Over the last two years the unit has received and investigated 1,386 cases and 1,095 people were disqualified from receiving SNAP benefits, resulting in $2.7 million in cost savings to the SNAP program. The unit received national recognition in the Office of Inspector General's Semi-Annual Report to Congress for working in conjunction with the USDA OIG's office under the oversight of the U.S. Attorney's Office. The unit referred 11 cases that resulted in 11 convictions on Federal charges of making false statements.

Medical Marijuana Registry
QAD administers the State Medical Marijuana Registry in accordance with the Medical Marijuana Act. A person with a debilitating medical condition can apply for placement on the registry and may name a caregiver, who is also tracked on the registry. The number of patients and caregivers on the registry has grown significantly with 27,292 patients and 4,807 caregivers as of December 2010.

Audit Bureau
Audits are an essential tool to ensure DPHHS service providers manage State and Federal funding for the benefit of the people of Montana, and funding is not wasted or misused. Audits are an essential tool to assess financial management, proper internal control, contract and regulatory compliance, and proper program performance. Following a four-year cycle, QAD audits more than sixty Developmental Disability service providers serving approximately 4,500 people, forty-five child care centers that provide safe and healthy care for approximately 1,632 children, eight Chemical Dependency service providers that serve approximately 3,200 people, and four Vocational Rehabilitation Independent Living Centers that assist approximately 1,421 people with the resources to live independently, and other DPHHS programs, as requested. The Division also advises DPHHS service providers in how to become better financial managers, and advise DPHHS program managers regarding the financial status of their contractors.

HIGHLIGHTS AND ACCOMPLISHMENTS DURING THE 2011 BIENNIUM

Cost avoided and collected over $148 million in Medicaid benefits from TPL activities
During fiscal year 2010, the Third Party Liability (TPL) program for Medicaid continued to achieve savings for the Medicaid program by coordinating benefits with other insurance plans for eligible people. This coordination of benefits directly impacted over 21,000 people with insurance coverage under Medicare or other private insurance.

Third Party Liability (TPL)	Medicare	Other Insurance	Total
Cost Avoidance	$120,496,603	$22,771,537	$143,268,140
Recoveries	$271,409	$5,224,734	$5,496,143
Total	$120,768,012	$27,996,271	$148,764,283

Third Party Liability (TPL) program has the responsibility for ensuring that Medicaid is the payer of last resort on healthcare claims for services provided to Medicaid clients. This is accomplished through the following activities:

- Coordination of benefits with Medicare and other health insurance.
- Operating the Medicare buy-in program to pay for Medicare premiums and coordination of Part D benefits and clawback payments for eligible low-income senior citizens.
- Operating the Health Insurance Premium Payment program for Medicaid recipients who need assistance in maintaining their health insurance.
- Collection of Medicaid funds from other insurance, settlements, liens, estates and other sources of funding.

Implemented a new Health Insurance Premium Payment System (HIPPS)

The Health Insurance Premium Payment System (HIPPS) is a program that allows Medicaid funds to be used to pay for private health insurance coverage for Medicaid people when it is cost effective. In Montana the average number of families benefited by this program is 259, which represents 909 people with health insurance coverage. The Medicaid program also benefits through healthcare costs avoided to control costs in the Medicaid program.

The new system was implemented in September 2010. The project had been in the planning and design stage over the past several years with the goal to become more efficient in our service to the Medicaid population. This new system supports the ability for a "shared" workload between department team members, so HIPP clients can be served by multiple members on the team for improved customer service. This system allows more efficient reimbursement to HIPP clients for their insurance premiums and effectively share workload and case interaction within the TPL unit.

Average monthly number of people that receive HIPP benefits = 909
Average monthly cost of premiums that are paid out = $76,327
Average number of families that receive the HIPP benefit = 259

Cost per family = $295
Cost per person = $84

Implemented Third Party Liability (TPL) system improvements

QAD implemented system changes through a Medicaid Transformation Grant that enhanced the lien and estate recovery in Third Party Liability (TPL) program. Prior to these enhancements we utilized a variety of standalone databases to track estates and real property, and managed a significant number of manual processes to identify probate cases with the Court Administrator. Currently, each county in the state (56 counties) perform their probate responsibilities in a different manner. The transformation grant completed an assessment of the effectiveness of the current processes, and identified processes that can be automated. This created a systematic way to capture data to enhance lien and estate recoveries, and increase the amount of collections on lien and estates to return to the Medicaid program. Examples of the process and system improvements are:

- The electronic Statewide Property Search tool was completed and was moved to production. This web based link can be accessed by staff to aide in property searches for the State of Montana. The Electronic Property Search system added value to our efficiencies by enabling TPL staff to query the whole State of Montana for a Medicaid person's property interests, versus having to go county by county to see if there are additional properties that need to be considered for liens. This Property Search system is an added efficiency for the front end case workers in the eligibility offices to help identify property throughout the State of Montana for the Medicaid people.
- Montana Death Registry Service (MDRS) was created and a file exchange system called State and Territorial Exchange of Vital Events (STEVE) was moved into production. This file exchange program will aid in the filtering and matching of death information for the State of Montana in state and out of our state. The Death Registry System interface is anticipated to minimize the potential to make inappropriate payments for services.
- QAD also implemented a software program called "Rhapsody" to facilitate the matching of Probate filings in the Court Administrators office with Medicaid. This data matching, in addition to the MDRS, allowed elimination of a manual process of reviewing obituaries from a

clipping service. We now receive probate information from the Court Administrative System and this information is compared to the CHIMES eligibility system which tracks Medicaid eligible people. QAD has successfully used the probate information and recently filed claims on 14 out of 243 names that were received on the probate file. The direct result of timely probate information allows us to file a claim for reimbursement of behalf of the Department.

Completed the PERM cycle with Montana error rates under the national average

The 60th Legislative session authorized the initial funding and staff for the Quality Assurance Division to implement the Payment Error Rate Measurement (PERM) program. The division successfully implemented the program as required by the Centers for Medicare and Medicaid Services (CMS) and completed the first PERM cycle, FFY 2008 (10/1/2007 - 9/30/2008), for Montana. The purpose of PERM is to produce national error rates for Medicaid and the State Children's Health Insurance Program (SCHIP).

Under PERM, reviews are conducted in three areas:

(1) fee-for-service (FFS) claims,
(2) managed care claims, and
(3) program eligibility for both the Medicaid and SCHIP programs.

The FY 2008 Annual Medicaid Payment Error Rate was released by the Centers for Medicare & Medicaid Services (CMS). The PERM program measures improper payments in Medicaid and produces state and national-level error rates for the program. The error rates are based on reviews of Medicaid payments for the fee-for-service (FFS), managed care, and eligibility components of Medicaid for the 17 states selected for the FY 2008 measurement cycle. The Children's Health Insurance Program (CHIP) was not included in the FY 2008 report due to CHIPRA legislation.[1]

In FY 2008 the overall national Medicaid estimated error rate is 8.71%. All states measured had a Medicaid FFS program, but only 12 had a Medicaid managed care program. The review findings include:

- The national Medicaid FFS estimated error rate is 2.62%
- The national Medicaid managed care estimated error rate is 0.10%.
- The national Medicaid eligibility component estimated error rate is 6.74%.

In FY 2008 Montana's Medicaid estimated error rate is 4.44%. Montana's review findings include:

- Montana's Medicaid FFS estimated error rate is 0.91%
- Montana's Medicaid eligibility component estimated error rate is 3.56%.

QAD is once again engaged in the PERM review cycle for FY 2011 (10/1/2010-9/30/2011). CMS has modified the PERM regulations and QAD is coordinating communications, documents, and data with the Federal contractors for their claim reviews.

[1] From the CHIPRA legislation, "The Secretary shall not calculate or publish any national or State-specific error rate based on the application of the payment error rate measurement (in this section referred to as ''PERM'') requirements to CHIP until after the date that is 6 months after the date on which a new final rule (in this section referred to as the ''new final rule'') promulgated after the date of the enactment of this Act and implementing such requirements in accordance with the requirements of subsection (c) is in effect for all States."

Achieved CMS Performance Requirements - State Survey Agency

The State Survey Agency (QAD/Certification Bureau) successfully satisfied the performance requirements of the Centers for Medicare and Medicaid Services (CMS) Mission and Priority Document. The requirements are issued with the state contract with CMS and direct the scope of work. The federal performance standards were met for nursing homes in areas of frequency of data entry, documentation of survey deficiencies, and adherence to federal conditions of participation. In addition, federal performance standards were met for hospitals, home health agencies, ESRD, hospices, ambulatory surgical services and RHC's in the areas of frequency of data entry, documentation of survey deficiencies, timeliness of EMTALA investigations, and adherence to federal conditions of participation. Meeting the performance standards is important for all Montanans as our work ensures that, among many other standards, residents receive nutritious food, are kept clean and receive the medical care they need to promote quality of life at this fragile stage of their lifespan.

In addition to achieving the required performance standards of CMS, QAD developed a quarterly newsletter for all providers to keep them apprised of survey activities, trends, changes, and approaches to improving health care in their respective facilities. The Division also developed mock survey documents for all facility types that enable the facilities to hold their own mock surveys in anticipation of a survey inspection. The mock survey forms are identical to those used by surveyors. The forms and process are available on the Division's website. Lastly the Division has partnered with Wyoming in providing OASIS education for home health agency providers. The education is required by the federal contract. Partnering with Wyoming allows both states to offer training via WebEx from a national expert in a cost effective manner.

Implemented a new Medical Marijuana Registry System

QAD successfully implemented a new ORACLE based registry system for tracking qualified patients, caregivers, and physicians who have certified debilitating conditions under the Medicaid Marijuana Act. This new system was put into production on July 1, 2010 and provides us with a useful tool to accurately and efficiently process the numerous applications from people that apply to be on the registry. The number of patients on the registry has experienced significant growth from 135 at the end of June 2005 to 27,292 as of December 2010.

Department of Public Health and Human Services
Quality Assurance Division

Goals and Objectives for the 2013 Biennium
Submitted September 1, 2010

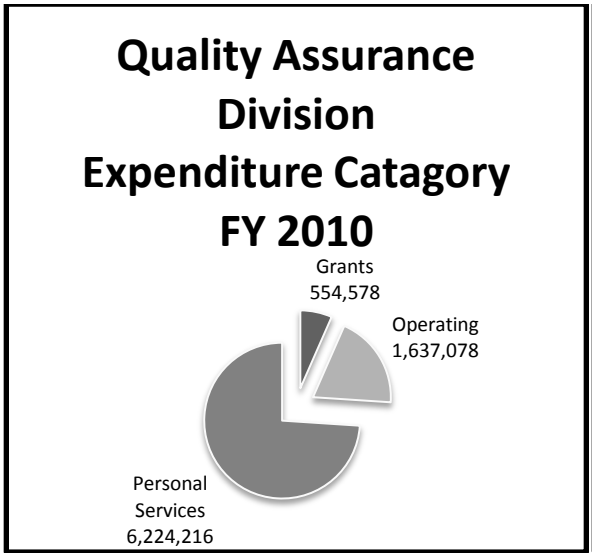
- **Goal:** Continuous improvement in the Department's efforts to protect the health, safety, and well being of Montanans by:
  - Maintaining regulatory oversight that promotes Montana health care facilities, youth care facilities, child care facilities and facilities serving individuals with physical and developmental disabilities to be in compliance with applicable laws and regulations.

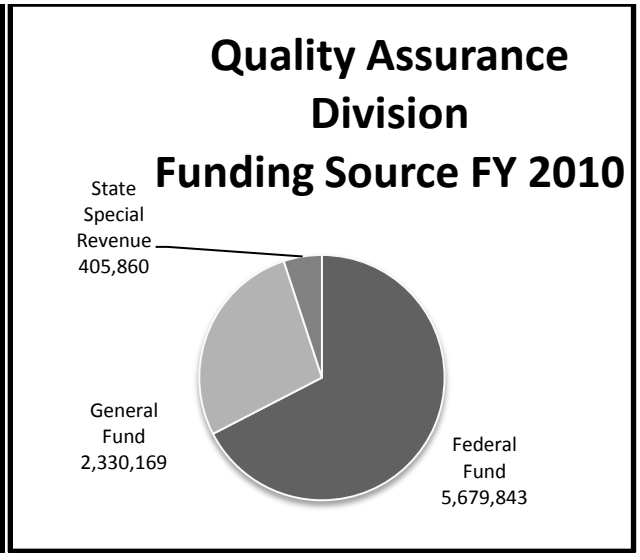
Providing program integrity oversight, and audit functions.

Objective	Measures
• Perform licensure and certification functions for the respective facilities and providers as established within the applicable state and federal laws. • Provide program integrity oversight. Maximize cost avoidance and recoveries for applicable agency programs in accordance with state and federal laws. • Conduct independent audits of agency programs and services and provide agency management with evaluations of internal work processes.	Through review and analysis, the division determines whether: • Licensure and certification functions are completed in accordance with timelines defined under state or federal rules and regulations. • All reasonable measures are taken under the Social Security Act to ascertain the legal liability of "third parties" for health care items and services provided to Medicaid recipients. • Quality control audits and reviews of client eligibility for Medicaid, Food Stamps and CHIP are performed timely and within guidelines. • Independent audits of DPHHS work processes and service providers are conducted timely and within guidelines.

FUNDING AND FTE INFORMATION

Division Name	2010 Actual Expenditures	FY 2012 Request	FY 2013 Request
FTE	114.24	117.74	117.74
Personal Services	6,224,216	6,679,453	6,677,357
Operating	1,637,078	1,716,562	1,674,723
Equipment	0	0	0
Grants	554,578	554,578	554,578
Benefits & Claims	0	0	0
Debt Services	0	0	0
Total Request	**8,415,872**	**8,950,593**	**8,906,658**
General Fund	2,330,169	2,423,529	2,355,515
State Special Fund	405,860	650,447	718,389
Federal Fund	5,679,843	5,876,617	5,832,754
Total Request	**8,415,872**	**8,950,593**	**8,906,658**





DECISION PACKAGES (SEE LFD BUDGET ANALYSIS, PAGES B-128 – B-131)

NP 55408 – 4% Personal Services GF Reduction

- This decision package reduces the Quality Assurance Division by $170,896 in general fund, increases state special revenue funding by $205,706, and reduces federal funding by $25,259 for the 2013 biennium to implement this reduction.
- General fund savings will be realized through reassignment of three positions from a unit paid through a combination of general, state special revenue, and federal funds to units paid with state special revenue funds or federal funds.
- LFD Budget Analysis page **B-130**

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$-85,448**	**$103,044**	**$-12,701**	**$4,895**
FY2013	**$-85,448**	**$102,662**	**$-12,558**	**$4,656**
Biennium Total	**$-170,896**	**$205,706**	**$-25,259**	**$9,551**

NP80001 – Nurse Aide Registry Database

- This decision package is for $50,000 in federal title 18 funds in FY2012 to support an electronic database to track the federal requirement for a Nurse's Aide Registry, a registry the Quality Assurance Division administers for Certified Nurse Aides in Montana.
- LFD Budget Analysis page **B-131**

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$**	**$**	**$50,000**	**$50,000**
FY2013	**$**	**$**	**$0**	**$0**
Biennium Total	**$**	**$**	**$50,000**	**$50,000**

NP80002 – Medical Marijuana Program Staffing

- This decision package requests $160,643 increased state special revenue funding authority for the 2013 biennium to the Quality Assurance Division for staffing adjustments for the Medical Marijuana program.
- The funds will be used to address staffing needs for processing of the applications for patients and care givers.
- This request is for the difference in funding between base year costs associated with temporary personnel services and the estimated cost for 3.50 permanent FTE.
- LFD Budget Analysis page **B-131**

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$0**	**$80,501**	**$**	**$80,501**
FY2013	**$0**	**$80,142**	**$**	**$80,142**
Biennium Total	**$0**	**$160,643**	**$**	**$160,643**

NP80010 – Recovery Audit Contractor

- This decision package requests $276,050 over the biennium, including $69,788 in general fund.
- The program requires the department to procure a contractor to identify and recover Medicaid funds as part of the Affordable Care Act's larger strategy to address waste, fraud and abuse in the health care system.
- The program anticipates hiring a modified FTE to manage the program.
- LFD Budget Analysis – not included

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$69,788**	**$0**	**$69,787**	**$139,575**
FY2013	**$0**	**$63,238**	**$68,237**	**$136,475**
Biennium Total	**$69,788**	**$63,238**	**$138,024**	**$276,050**

PL55140 – 17-7-140 Operational Reduction

- This decision package reduces the general fund base budget by $49,771 each year of the biennium for the Quality Assurance Division.
- This amount annualizes and makes permanent the 17-7-140, MCA, 5% budget reduction put in place in the 2011 biennium. The division will make operations reductions in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.
- LFD Budget Analysis page **B-129**

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$-49,771**	**$**	**$**	**$-49,771**
FY2013	**$-49,771**	**$**	**$**	**$-49,771**
Biennium Total	**$-99,542**	**$**	**$**	**$-99,542**

PL 80003 – Non DofA Rent Adjustment

- This Quality Assurance Division request is for $16,649 total funds, including $4,753 in general fund in FY 2012 and for $27,490 total funds, including $7,846 in general fund in FY2013 to pay the leases on non-state owned buildings.
- LFD Budget Analysis page **B-129**

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$4,753**	**$887**	**$11,009**	**$16,649**
FY2013	**$7,846**	**$1,465**	**$18,179**	**$27,490**
Biennium Total	**$12,599**	**$2,352**	**$29,188**	**$44,139**

P80005 – Medical Marijuana Program Annualization

- This decision package requests $29,620 increased funding authority in state special revenue funds each year of the biennium.
- The funds will be used for increases in the participants in the program and for added cost in the production and issuance of registry identification cards.
- The number of patients and caregivers on the registry has grown significantly with 26,429 patients and 4,728 caregivers as of November 2010.
- LFD Budget Analysis page **B-129**

Fiscal Year	General Fund	State Special	Federal Funds	Total Request
FY 2012	**$**	**$29,620**	**$**	**$29,620**
FY2013	**$**	**$29,620**	**$**	**$29,620**
Biennium Total	**$**	**$59,240**	**$**	**$59,240**

LEGISLATION

The Division has no pending or requested legislation.